

## ANALYSIS OF ORIGINAL BILL

Author: Alquist Analyst: Kristina North Bill Number: AB 1627  
Related Bills: See legislative history Telephone: 845-6978 Introduced Date: 01/05/98  
Attorney: Doug Bramhall Sponsor: CA Senior Legislature

SUBJECT: Computer Software Tax Programs Must Have Space On Return For Voluntary Contributions

### SUMMARY

This bill would prohibit the use of any computer software tax program that does not provide spaces for voluntary contribution designations on tax returns prepared pursuant to the program.

### EFFECTIVE DATE

This bill would apply to taxable years beginning on or after January 1, 1999.

### LEGISLATIVE HISTORY

SB 602 (Ch. 337, Stats. 1997)

### BACKGROUND

Franchise Tax Board's (FTB) Publication 1098 provides Guidelines for the Development and Use of Substitute, Scannable and Reproduced Tax Forms. This publication is provided to companies seeking to develop computer software tax programs with which tax returns are prepared. Publication 1098 contains explicit specifications to obtain approval for substitute tax returns, including mandatory print fields for voluntary contribution designations.

All substitute and scannable tax forms must be reviewed and approved by the FTB as meeting the criteria of Publication 1098 before the department will accept returns that have been prepared using such software. Substitute forms include forms generated through an income tax software program and overlay forms that generally "mirror" standard forms issued by the FTB. Although the scannable form layout is different from the official FTB form, voluntary contribution fund information is still presented in the same manner, including full names of the funds.

### DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

#### Department Director Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
\_\_\_ X \_\_\_ PENDING

#### Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_

#### GOVERNOR'S OFFICE USE

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department Director

Gerald H. Goldberg

2/20/98

Agency Secretary

Date

By:

Date:

If a company releases forms that fail to follow the guidelines in Publication 1098, the FTB: 1) requires proof that the errors have been corrected and that customers or clients have been notified of the corrections; 2) may publicize the company's name in Tax News or other publications indicating the company did not follow the guidelines; and 3) may notify taxpayers that refunds are delayed because the company's tax forms were not approved by the FTB.

#### **SPECIFIC FINDINGS**

**Current state law** allows taxpayers to make designations to voluntary contribution funds and requires the FTB to include spaces for voluntary contribution designations on tax returns. These spaces are provided on all California personal income tax return forms produced by the department, including the 540, 540A, 540EZ, 540NR, 541, scannable 540A and scannable 540. Further, **current state law** requires that any return, declaration, statement, or other document required to be filed that is filed using electronic technology must be in a form that the FTB prescribes.

**This bill** would prohibit the use of a computer tax program that does not provide spaces for voluntary contribution designations on tax returns prepared pursuant to the program.

#### **Implementation Considerations**

Because tax software programs must currently meet specified guidelines and must receive FTB approval before the substitute and scannable forms may be filed with FTB, this bill would not impact the policies and procedures of the FTB.

#### **FISCAL IMPACT**

##### **Departmental Costs**

This bill would not impact the department's costs.

##### **Tax Revenue Estimate**

This bill would not impact the state tax revenue.

#### **BOARD POSITION**

Pending.